RICHARD RUSSELL'S **DOW THEORY LETTERS, INC.**

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IBM: No, not the stock, the type you are looking at; this Letter has been put together on our new IBM computer-composer, and I ask your indulgence. We have not yet decided on the form or the type-style we are going to use, and this type is probably too small. At any rate, I had a lot to write in this Letter, so I am using the small type—but we are still in the experimental stages.

THE PICTURE: Many newer subscribers may wonder why I repeat and repeat that "we are in a primary bull market." I do it because it is the overriding investment fact of the day, the week, the month and the year. Everything we do on our jobs, with our businesses and with our investments should be guided by this single fact.

I used the same thesis in reverse during the period of 1966 to 1974 when a primary bear market was in force. I stated repeatedly through every rally and decline that "we are in a primary bear market," and that the major trend was down. At times I appeared to be dim-witted, at other times I looked like a damned fool. But I warned of the coming third phase of the bear market, a phase which would ultimately take care of all the bear market heros and geniuses. During 1973 and 1974 the third phase of the bear market finally did materialize. When it was over we saw nothing but losses, battered bank accounts, broken dreams and brokerage house mergers. The bear market heros of a few years before had vanished from the scene.

Today, I feel that the situation is reversed. A primary bull market is now in force. Short selling a bull market (and I noticed a few ads in last week's Barron's advocating short selling) is, more often than not, a ticket to disaster. Clearing totally out of a bull market is usually a dubious procedure. And fighting a bull market by bad-mouthing it or remaining skeptical about it is the perfect formula for self-frustration (but I must admit that an amazing number of people seem to get something out of remaining frustrated).

Now I can't be any subscriber's personal investment advisor. I don't have the temperament for it, and I don't have too much faith in personal advisors anyway. Nor can I tell any subscriber how far or how much to invest in this bull market. I cannot announce to thousands of readers (including bankers, businessmen, fund managers, grandmothers, millionaires, and people of modest means) that "you should be 50% or 70% invested in stocks." If you insist on that kind of "advice," if you insist that I do your personal thinking and investing for you, then I'm afraid you're reading the wrong advisory. I can't do it, and I'm not sure that I'd trust anyone who would offer to do it.

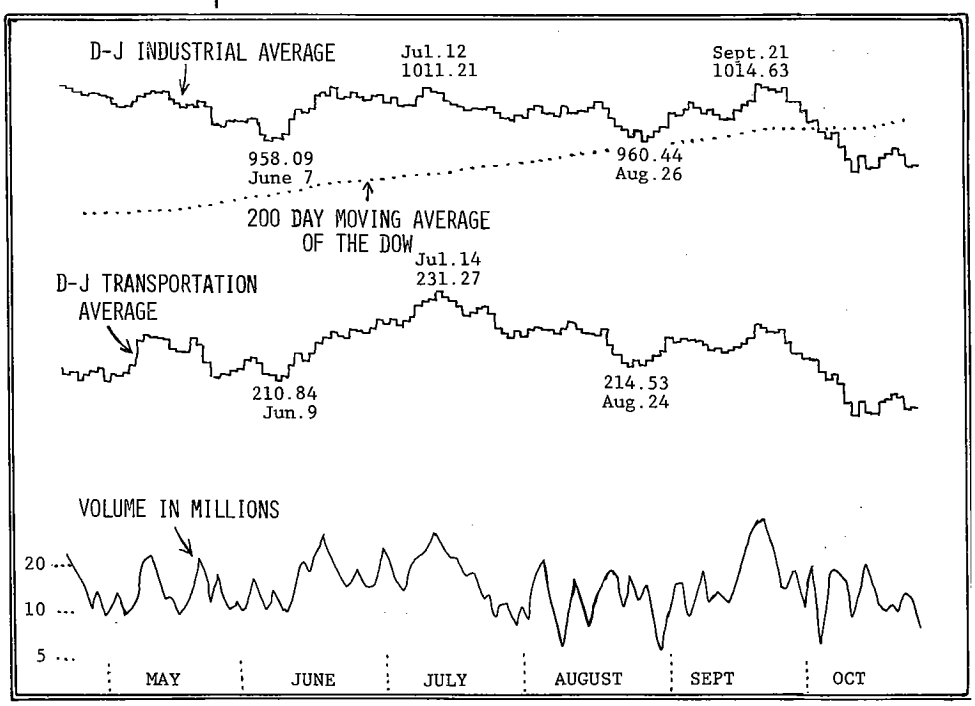
What I try to do is teach people to deal with the market, teach them how to avoid losses, how to read the Averages, how to think for themselves, and how to see through some of the flim-flam that appears in this or any other business. If you still insist that you need somebody to hold your hand, well you can find plenty of "experts" who are willing to take you on. What usually happens is that you have the money and he has the experience. In a few years the situation will reverse; he'll have the money and you'll have the experience. Maybe it's a fair exchange after all—at least it's a learning process.

I do offer what I believe is legitimate information and opinion in these Letters. I have stated that the bullish stance is the correct stance, and for the average subscriber a position of about 1/3 to 1/2 in diversified stocks and the rest in bonds should be about right for now. I have talked many times about the "magic" of compound interest rates, and I have repeatedly suggested bonds and bond funds to subscribers and Municipal bonds and Muni funds to subscribers in higher income brackets. We are now (and have been for two years) in a rare situation in which the dollar is reasonably stable while stocks and bonds are in a bull market. That's a pretty healthy, advantageous situation, and I'll leave it to each of you to stay on the right side of it.

THE MARKET: The market has not been able to get anywhere in eight months. What we have seen is an instance in which a primary bull market has been held back, due to slow business, consumer skittishness, a Presidential election (uncertainty), memories of 1973-74, overseas problems, and a dozen other adverse factors. But turning bearish on a primary bull market is always a dangerous procedure. It's tantamount to sitting on a coiled spring or wrestling with one of my 200 pound Mastiff dogs. Sooner or later (usually sooner), you're going to break something. So the wise thing to do is to appraise the situation and stay on the right side of it.

The D-J Averages have been "lining out" sideways ever since February. In the last Letter I noted that the first significant lows of 1976 were recorded in April, 969.28 for Industrials, 200.88 for Transports. The early-October slide took Industrials to an October 12 low of 932.35, well under the April low. But Transports held at an October 12 closing low of 203.85 (see chart below), three points above the April low. That was a non-confirmation, and it set off a rally. One rally does not guarantee a turn, but a rally off a non-confirmation is always a hopeful indication.

I am not ready to say that October 12 was the bottom of the reaction, but there are a number of factors worth noting and examining. First, we saw a key reversal on October 13. On that day volume surged to 21.6 million shares and the Dow (after opening down) closed at 948.22, up



substantially from its October 12 low (the reaction low, so far) of 932.35. This was the first upside key reversal of 1976, and as such, it could have been important. If it was, the 932.35 level should be watched carefully. The 932.35 low could hold during any further weakness, and if it does, we will be at or very near our 1976 "buy spot" (for a discussion of key reversals, see Letter 677, page 2).

A number of other interesting phenomena occurred at the Oct. 12 lows and these had to do with various non-confirmations. Three of the breadth indices which I keep refused to confirm on the downside, and this heightened the significance of the October 12 Dow low of 932.35. First, I keep a daily advance-decline line of the thirty Dow stocks, and as you can see on the chart, the Dow A–D did not confirm the Dow price as the Industrial Average broke below its June low.

A second breadth index, the cumulative most-active stock index (which has been a leader during the entire 1975-76 advance) also refused by a wide margin to confirm the October 12 low. This too was a hopeful sign.

Finally, and perhaps most interesting, the NYSE A-D ratio did not confirm the Dow through the June low, even though the A-D ratio has been lagging the Dow ever since February. It may be of interest to Elliott students (Fibonacci series) that the October low in the A-D ratio came exactly eight months after the February peak in the A-D ratio).

CONCLUSION: On October 12 Industrials recorded a low of 932.35 while Transports recorded a low of 203.85. Those lows are being tested, and it remains to be seen whether they will hold. The "bad news" is coming out now, and we are hearing about everything from clogged auto inventories to slowing retail sales to "a slide now and recession in '77." It remains to be seen whether the October 12 lows will hold. If one or both Averages can hold above the 932.35 and 203.85 lows,the situation will become interesting from the bullish standpoint and from the standpoint of a "buy spot." If the lows are both broken (particularly on increasing volume), we will start our second down-leg of the correction. Such a decline (through the October 12 low) would probably lead to a "selling climax," the high-volume, scare bottom which I described in detail in the last two Letters.

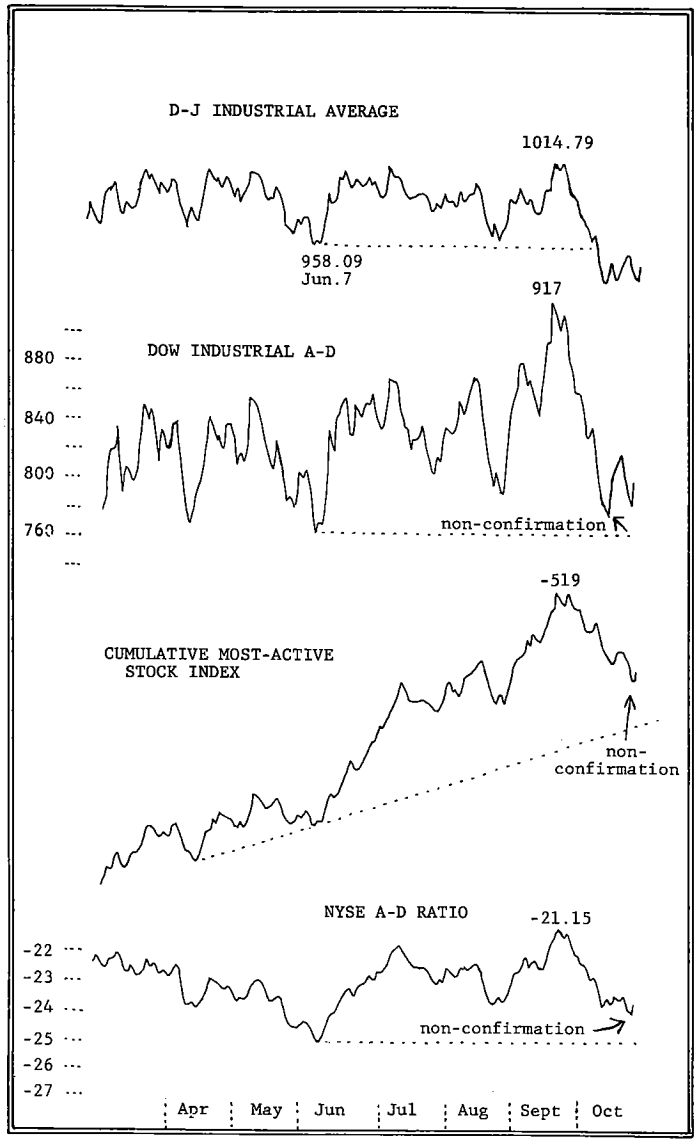
I will make a few additional comments at this point. The first is that so far, and I'll emphasize so far,the selling pressure during this correction has not been intense. For instance, the day of October 11 produced the most daily new lows of any on the decline so far. On October 11 we had 66 new lows, which is a remarkably small figure, one that hardly bespeaks of a crumbling market. Let's watch and see if that figure is surpassed on any additional market weakness.

Next, I am surprised at the way everyone is freely calling for an economic recession late this year and in 1977. The "1977 recession" is the best advertised financial slump I've seen in thirty years of watching the market and the economy. Next year may produce a recession, but (cynic that I am) I am not convinced. Furthermore, even if 1977 is a recession year, I believe the market will have fully discounted the bad news in 1976.

In my opinion, the stock market did not extend itself during 1976. In other words, it never got frothy or starry-eyed on the upside. During the first quarter of 1976, the P/E ratios for the Dow got up to 13.1 (which is not particularly high). The Dow P/E ratios are now down to 10.5. Because the market never got carried away on the upside, I doubt that it is going to get carried away on the downside during this correction. Therefore, I am guessing that even if 932.35 is broken on the Dow, that Average will hold above or very near 900 on a further decline.

The Transportation Average is starting to act resistant to the decline. If we get a downside non-confirmation, I am beginning to think that it is the Transports which will not confirm. Watch the 203.85 level for Transport resistance. If 203.85 is penetrated, watch 200.88 (the April low) for resistance.

As I guess, I believe that the bottom for this correction will be seen this month, October, or in early November. I base this on the spate of adverse

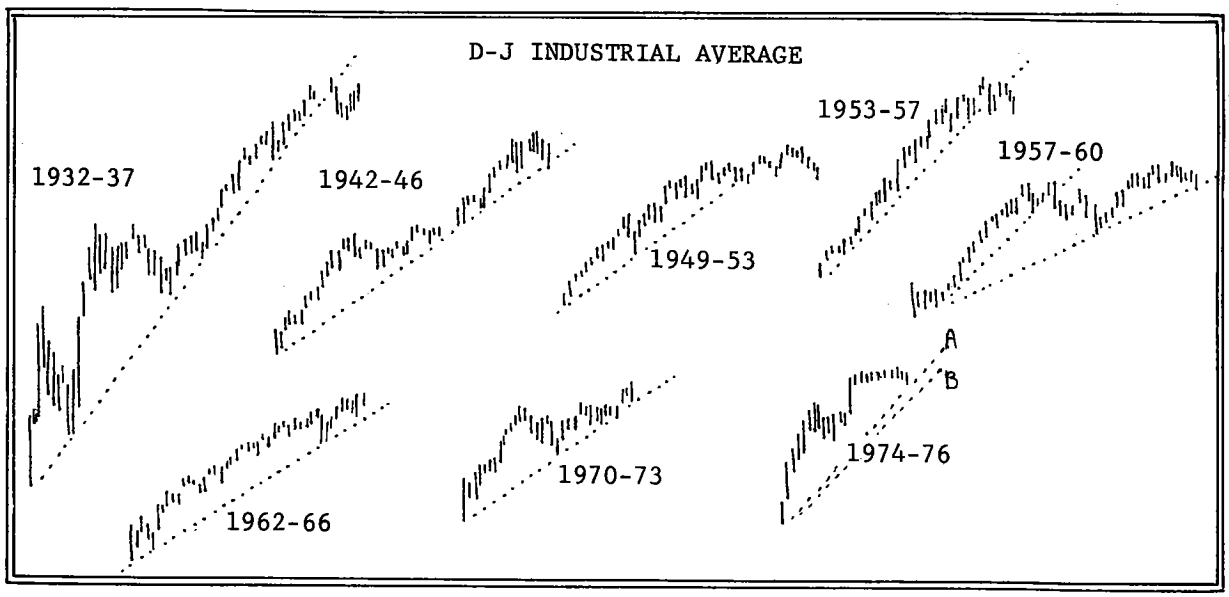


economic news that is now emerging. I'm guessing that the market will either take it's stand here above the October 12 lows or wash out and hit bottom in the next few weeks.

Finally, what about the buy spot and what about buying? It's always easy to buy, except near a true market bottom. I have my own adage which goes, "If you're not sweating, you're not buying right." If one or both Averages hold above the 932.35 and 203.85 levels, I would start nibbling on a few assorted issues. If those levels are broken, we'll have time. Many readers have asked me to start a telegraphic service based on buy and sell spots. I don't want to do that and never have. I don't want to because I feel that if you have to jump at telegram-speed you're an "in-and-out trader," and those fellows always end up wearing patches on their pants. "Time is money," runs the old saying, and I say that "There's money in timing." But if we need telegrams to make money in the market, I'd say we're doing something wrong.

Note: the 13-week moving average of the Dow Industrials is now 977, while the 50-week MA is 958. They are still 19 points apart and this study will not render a major bearish signal until the 13-week MA drops below the 50-week MA (see Letter 678, page 3).

THOSE COMPARISONS: Back in Letter 664 (May 19, 1976) I included a section entitled "Rate of Rise." I started off by saying, "Sometimes the simple, fundamental truths are the ones that escape us." I then referred to the accompanying chart, a chart which shows all the major Dow advances since 1932. Since the chart is drawn to ratio scale, we can properly compare all these advances as the steepness of decline (note: on ratio scale you are dealing with percentages so that a 10% rise from Dow 150 takes up the same vertical space as a 10% advance from Dow 950).



The point I was making back in Letter 664 was that the Dow advance from the December, 1974 low to the May, 1976 peak was the steepest trendline advance of any since 1932. In fact, I concluded that the advance was so steep that it could not hold. I stated in that Letter "This market has to slow down. How will it do that? There are only two ways, (1) a downside correction, or (2) a continuation of the current line formation. So far this market has been trying to hold despite the problem of the Dow trendline which is too steep to be sustained. My guess, assuming the market can retain its current degree of technical strength, is that the Dow will work generally sideways (or perhaps in an even wider trading range), but by year's end we will probably still be in the general area of Dow 950 to 1050. In other words, the BEST thing the market can now do is 'kill time'. This would gradually slow the rate of ascent of the 1974-76 trendline as shown on the chart."

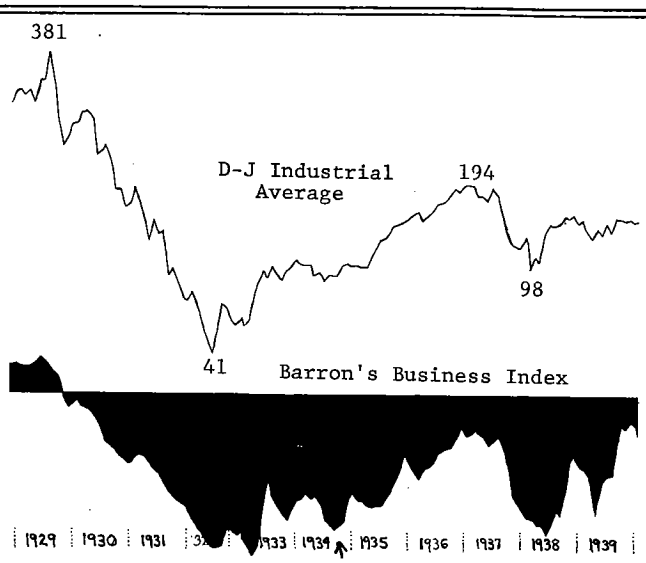
So with it all, what has actually happened in the five months since that paragraph was written? The market has simply elected to kill time. With the rallies, declines, hopes, agonies and assorted election nonsense, the market has done nothing but move sideways in a broadening line effect. And what is the lesson to be learned? For me it's that the story is all there in the charts, if only we had the brains to read the charts correctly, and the intelligence to listen to our own conclusions.

I updated the "rate of ascent" chart back in Letter 669 (July 9), and I want to review that chart again now. I have drawn two new trendlines under the 1974-76 price action. The steeper trendline (marked A on chart) shows what the trend would look like if the Dow closes around 950 on December 1, 1976 (and this, of course, is projecting ahead). If the Dow is at 950 on December 1, the entire rise from December, 1974 to December 1, 1976 would still be one of the steepest on record. Only the 1932-37 rise would have surpassed it, and that advance grew out of the worst bear market and the biggest downside compression in Wall Street history.

Now turn to trendline B, the shallower trendline under the 1974-76 advance. This is the rising trendline which would be in effect if the Dow was to sink to 900 by December 1. Either trendline would be valid (or sustainable) for this bull market to grow on.

The point of the study is this: 1976 so far must go down as a "correction year," a year in which Wall Street simmered down following the explosive rise of December, 1974 to February, 1976. Investors during the 1974-76 advance finally got ahead of themselves, both in terms of what they "thought" the market was going to do and in terms of what they "thought" the economy was going to do.

Back in Letter 632 (May 30, 1975) I wrote that after severe crashes (i.e., 1929-32) "there was no immediate, sustained pick-up in business, and I have wondered if the same general kind of picture (a jerky, sporadic recovery) might not be in the offing now. After all," I added, "a market crash is a rare phenomenon. And the aftermath of a crash is usually no picnic." In Letter 632 I included a chart of the Dow and Barron's Business Index, and



it was clear that following the 1932 low for business, there was a rise into 1933, and then a slump into 1934. Following the 1934 slump, business did pick up and the new business expansion lasted until late-1936.

I include the chart from Letter 632 again, and I will also include my feeling about the business picture. I think we are going to see a good, sustained business expansion following the current sag. I do relate this sag to the 1934 let-down, and I believe that everything we are now going through is basically healthy for the country.

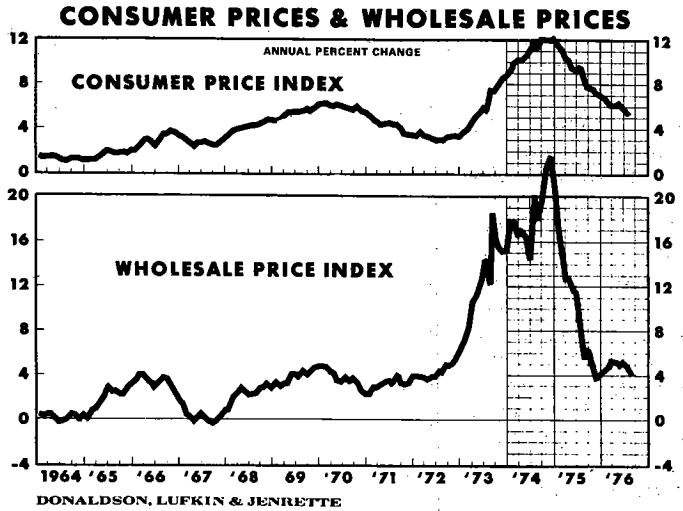
The current period represents the "easing up" following the first explosion from the 1974 bear market bottom (just as 1934 constituted the let-down from the 1932-33 explosion off the 1932 bottom). We are still going through the healing period, the adjustment period. The thing to remember is that we are in a continuing primary bull market, a bull market that grew out of the bear market crash lows of 1974. Those crash lows discounted the worst that could be seen for many years ahead. At the 1974 lows the Dow sold below actual book value and at a price of only 5.9 times earnings, while the unweighted NYSE stock averages lost anywhere from 75% to 87% of their peak values.

I made the following statement at the 1974 lows, and I'll make it again. The 1974 lows for the stock market discounted everything but the fall of Western civilization. At the 1974 lows the stock market was saying that it had discounted the worst and that it could only go up from there. That is the basis of a primary bull market. The primary bull market is intact today, and it will not

end until the best that can be seen ahead is fully discounted in the price structure. In my opinion, the best ahead has not been discounted yet. There is much better to come, much better if we will only be patient.

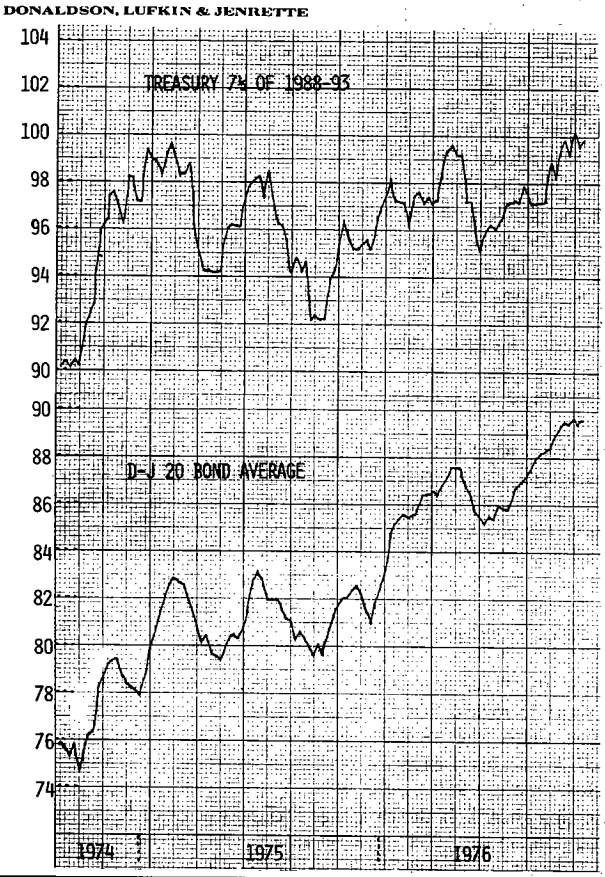
BONDS, GOLD, INFLATION: People, talk, they figure, they expound, but they don't often look squarely at the facts. And that's the great advantage of charts. Charts are constructed from facts, not opinions. Of course, ten men can look at the same chart and come up with ten different opinions. Unfortunately, people tend to see what they want to see, whether they are looking at their wives, their business or their charts, and that's where the trouble lies. At any rate, I'm going to discuss three charts in this section, and I am going to try to the best of my ability to come up with what the charts are saying. Because what I see here does not jibe with the widely-held views.

The first chart is through courtesy of Donaldson, Lufkin & Jenrette. It shows the annual percentage change in the Consumer Price Index and the Wholesale Price Index. They're both heading down. To put it briefly, that is not galloping inflation you're looking at. The chart says the rate of inflation is falling and has been for almost two years.


CONSUMER PRICES & WHOLESALE PRICES
ANNUAL PERCENT CHANGE
CONSUMER PRICE INDEX
WHOLESALE PRICE INDEX
1964 '65 '66 '67 '68 69 '70 '71 '72 '73 '74 '75 '76
DONALDSON, LUFKIN & JENRETTE

The second chart is my own baby. Pictured here are the weekly closes of two money-market items, a Treasury bond and the widely-followed D-J 20 Bond Average. Now the bond market has never been known to thrive on inflation. Inflation means rising interest rates, and higher interest rates mean declining bond markets.

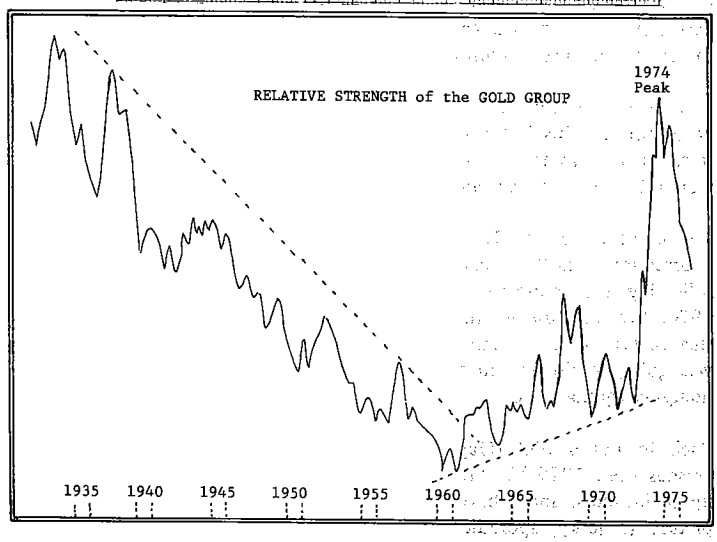
Since 1974 money market instruments have been rising, coincident with the decline in the actual inflation rate. I have been advocating buying bonds so often and for so many months that I'm beginning to bore myself, but the fact is that bonds are enjoying their first primary bull trend since the 1940's. The 20-Bond Average has advanced about 19% from the 1974 low, and if you add the 10% those bonds were yielding in 1974 you get an appreciation-income figure of about 19%. Now there's nothing wrong with that in my book.



What particularly interests me here is the Treasury 7½. That bond is just breaking out of a huge "head-and-shoulders" bottom, and the chart says that the bond could easily rise to the 106 area. More importantly, the chart is suggesting that the bull market in bonds has a long way to go, and that's fine with me, because there's nothing more bullish for stocks and the economy than a primary bull market in bonds.

I continue to like bonds here. Most good bonds are still providing high yields, yields which are a pleasure to "sit with" while stocks mill and bounce about, preparing (as I hope they are) for their next bull market advance. And that's why I have advocated that a good chunk of your assets be in bonds. Incidentally, Nuveen and American General Bond are coming out shortly with new tax-free bond funds, and you might ask your broker about these. Fidelity and Dreyfus offer switch funds, which means (no-load) you can switch from Muni bond funds to various types of stock funds at will (this is probably the trend of the future).

Finally, let's turn to this very long-term relative strength chart of the S&P Gold Group (courtesy of Ray*Signals, 43 Lake Avenue, Montrose PA, 18801). Sometimes a long-term chart can tell you more than a roomfull of analysts and experts, and this may just be such a chart.



In my studies of relative strength (RS), I have noted that huge movements in RS often put the finishing touches on a given trend for years to come. Thus, the 27 year decline in Gold RS which we see on the chart ended around 1960. When it ended, it was saying that somewhere ahead an upside explosion in Gold was coming. It was saying that Gold's popularity or RS was going to heat up again, and that Gold was finally starting to act better than the market on a trend basis.

In early 1973 Gold's RS started exploding, and the straight up move lasted into 1974. Then, as violently as it had started, the RS of Gold collapsed.

When I review the whole situation, I come up with the thesis that 1974 was indeed a critical year for change. In that year bonds started their bull market, stocks began a bull market, the inflation rate subsided, and the RS of the Gold Group began collapsing.

I've been giving increasing consideration to the thought that the massive decline in Gold RS is going to "finish the Gold Group off," ending speculation in Golds for perhaps many years to come. I know that isn't a happy thought for those who are hoping for a quick revival in the Gold shares, but at this time I am thinking in terms of "dead Gold" for maybe three or four or five years.

At any rate, I want all my subscribers to be positioned *in harmony* with the prevailing primary trends. And that means that I want them in bonds, I want them in stocks, and in basically income-producing vehicles. I believe that income is going to be the basic of this bull market for two or three years or so, maybe longer. Right now what counts is value and income, and that means good bonds and solid, income-producing stocks, the two most liquid sources of return for the average investor.

WHY, HOW: The Book tells us that he who lives by the sword, dies by the sword. By the same token, we know that he who lives by hatred, dies by hatred, and he who lives by money, dies by money.

The stock market is a great teacher. It teaches us that there are rewards for study, courage, knowledge and persistence. The market also reveals us to ourselves. It shows us our greed ("I want to make a killing"), it shows us our fear ("I'm going to lose all my money"), and it shows us our weaknesses and stupidities. The stock market, if you stick with it, will demonstrate that there is a "center," a core of sanity in each of us. And it shows us that we can make progress if we hold our baser instincts in check. Over the years, the market can demonstrate (1) that we can learn from both success and failure, and (2) that making money is a part of living, but it is not an acceptable end in itself.

Every once in a while (particularly during rough markets), I insert a piece of my own philosophy in the hopes that it will help subscribers to see themselves and the market in perspective. I suppose I have as much right as anyone to write this way. My grandfather shot himself after severe financial losses during the Northern Pacific Panic of 1901. My uncle killed himself following the crash of 1929. Those two events provided the tragic sparks which initially led to my studies of Wall Street. Thus I learned (the hard way) that growth can come from tragedy.

It is my belief that there is a purpose to man's life. That purpose is integration, fulfilling one's potential, striving towards ultimate perfection (actually, they are all synonymous). I did not believe this during the longest part of my life. I came to this intuitional belief because I had come close to death so many times that it finally dawned on me that these many "narrow escapes" were utterly beyond coincidence. I finally realized that if I was "supposed to die" it would have happened long ago. Therefore, I concluded, there must be a *reason* why I was still alive. If there was a reason for my existence, then there was a reason for everyone's existence. That thought hit me like a thunderbolt.

It was the beginning of "awakening." Up to that time (which was perhaps seven years ago), psychology fascinated me. But psychology is the study of the mind and the emotions. Now I consider that most people live on a one-dimensional level, being concerned only with the obvious, the conscious. The next step is two-dimensional, those who live with an awareness of the conscious and the unconscious. That's where psychology comes in. But there is also the three-dimensional life, which encompasses those who live with an awareness of the conscious, the unconscious and the spiritual (i.e., the soul).

I believe that the great mass of humanity now lives on the "subsistence" or "survival" level. This means that they are learning to hold themselves up physically, they are learning how to get three meals a day, how to make a living, how to cope with life on a physical, survival level. A much smaller segment of the world's population (although it is growing all the time) are the teachers. These people have already learned how to survive physically, and they are now moving into the emotional or the spiritual level. While they are learning and helping themselves, they are also supposed to be helping others. These teachers are very important to the evolution of humanity, and the problems they are confronted with are far different than the problems which confront the survival segment of the population.

The teachers learn and as they (hopefully) advance, they teach others. They teach by writing, talking, and showing, and they teach by example. The best and most effective way of teaching (and by far the most difficult) is by example. All of us probably know someone who has affected our lives tremendously by example. That person is probably one of the teachers.

I believe that everything that happens to us, everything that is laid in front of us, is done so literally as a "teaching aid." Things happen so that we can learn, and I don't care if that thing is a war, a stock market boom, an inherited fortune, a retarded child or a terrible accident. *We're given the situation,* and either we learn from it or it is repeated in some form or another again. Further, I believe that the powers above may sacrifice a million lives so that a small segment may advance. This may seem unutterably cruel, but if you believe that the soul is immortal, then death becomes less important and the advancement of the soul becomes all-important.

My feeling is that if we are here on earth, it is because we have a huge job to do, a job that is obviously unfinished. The job can entail a thousand facets, directions, struggles. But it also always entails the core of the person, his psyche. People's personalities and psychological make-ups fascinate me. I have classified all personalities as falling into one of three *problem* areas (often they overlap). The person is either (1) suffering from deadness, (2) craziness, or (3) weakness ("whimpiness").

Deadness is often indicative of the person living too much or totally on the conscious level. He lives by "shoulds," rather than by wants (the criminal, for instance, lives totally by wants with no shoulds). "Dead people" are often very "good" people. But they can also be crashing bores. Their job is to come back to life, to get in touch with their real selves, to examine all the "shoulds" that they live by.

The "crazies" are usually very much in touch with their unconsciouses. But they are not in touch with anything outside in the real world. They can be schizoid (relating only to themselves) or paranoidal (relating only to what's "out there"). They can be infantile ("I can't do it, you do it for me") or they can be brilliant, projecting their powerful unconsciouses on canvass or in manuscripts or on the screen, and so forth. The crazies have to get in touch with reality. They have to get over their fears, and realize that they are simply indulging their fantasies.

Finally, we have the weaklings, the whimps, the people who are passive, the "hold me up" types. These people experience themselves as impotent, ineffective. They play the game of "I don't matter." Its a *safe* game. But it renders them ineffective. And in being passive, they are simply *going along* with anyone or anything in the world that is *happening,* good or bad. They occupy space, but they don't exist. The weaklings must learn to react and to act. He that refuses to act is part of the problem. The boldness of the criminal is directly proportional to the passivity of the victim. ***The problems of the world are a direct function of the "dead" ones, the crazies and the weaklings.***

DOES THE MARKET KNOW? The latest Gallup poll says that Ford now has an upset chance to win. The sophisticated Money Manager states that Carter could win the popular vote, but Ford has a chance of winning the electoral vote. Ah, but here's what almost no one knows. The ***taller candidate has won every Presidential election of the Twentieth Century.*** Ford is six foot one, Carter is five foot ten!

SAN DIEGO: I want to welcome Scientific Market Analysis (old line investment service) to San Diego. That makes three of us in this town, Investment Quality Trends being the third. And speaking of San Diego, I am always learning exotic things about this fair town. For instance, I just learned that Wyatt Earp, the famous lawman who helped tame Kansas, Missouri and Arizona, lived in San Diego during the 1880's. But that's not all. Earp owned a square block of the downtown San Diego area and ran three gambling halls which featured 21 different games of faro, blackjack, poker and keno. Earp was listed in the SD City Directory of 1888 as a "capitalist." Who'd have the nerve to list himself that way today!

NOTES & THOUGHTS: In Letter 675 I listed the four greatest disasters in US corporate history. A subscriber has sent me what must be number 5, the 1975 write-off of the Business Machines division by Singer Co. The loss was an horrendous $410.6 million!

* * *

I can't answer most personal letters, but that doesn't mean I don't appreciate receiving them. I also appreciate all the data and ideas which come here from all parts of the US and the world. It's all a tremendous help to me, and I wish I had time to thank each person and discuss the market with each subscriber. But I don't, I just don't.

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I received many answers on my recent request for information on price indices of collectibles and "things." No problem getting indices on prices of land, houses, stamps, precious stones, diamonds, coins, but when it comes to art, it's fogland. No one really knows the trend of specific categories of art, antiques, etc. All is guessing, opinions, talk, arrogance, nonsense. I asked the head of one of our local art museums how he could purchase a painting at the right price if he didn't know the trend of prices for that artist's work. First he claimed hautily that the museum was interested in culture, not price. I asked him how many paintings he had bought with his gift of art appreciation. He smiled a bit painfully, and informed me that the museum depended on its dealers to purchase art efficiently. So much for that. Are Renoirs worth more this year than last? I still prefer facts to blather. And I prefer charts and averages to arrogance.

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I often get letters asking about other services. I read them by the dozens, some are excellent, some are not. Here are a few I like: Smart Money (Yale Hirsch), 6 Deer Trail, Old Tappan, NJ 07675. This guy can think, and he has the ability to see through the obvious. I also like Drew Odd Lot Studies now edited by W. Bretz. They're at 1915 NE 45th St., Ft. Lauderdale, FL 33308. While I don't always agree with Bretz, his charts are tops. Jim McKeever's Multinational Investment & Survival Letter (726 Richards St., Vancouver BC V6E 2M2, Canada). This report is packed with information, and I find the information useful. The accent here is on currencies, prescious metals, investment strategies. A chart service I find completely useful is Quote, PO Box 213, Wichita, KS 67201. Harry Lankford packs more info into his little weekly charts than I thought possible. Value Line (5 E. 44 St., NYC 10017) is another service which is absolutely loaded with useable info. They cover most major stocks, with just a page on each. But that page includes information that will keep you busy half the night. Industry Forecast by S. Jay Levy, Box 26, Chappaqua, NY 10514. S. Jay writes a short, to the point report basically about the economy. No nonsense, no ego trip, and he's generally correct. As the song says, "who could ask for anything more?" Bank Credit Analyst of 1245 Sherbrooke St. West, Montreal 9, Canada. The authority on bank credit and always an interesting monthly report. This is one of the services I would not want to be without, and when I say that I mean I would not want to be without Tony Boeckh's reasoned, intelligent view of the markets and the fundamentals behind the markets.

If you're interested, I imagine any of these services would send you a copy for your perusal. I will try to cover a few more of my favorite services in a future Letter.

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LATE MARKET NOTES: One of the biggest problems I have in writing these reports is in the timing of the writing. Occasionally, everything will work out perfectly, and my first comments about the market and the price movement stand without need of change or even comment. But more often than not, by the time I get to page 6 the market is doing something which requires a revision or further comments. For this reason, most of the Letters have a "Late Notes" section attached to them. This section will contain my latest thinking, and I can comment here about developments which had not occurred when I was writing page 1.

I'm winding up the chart series in this report with my weekly (Friday closings) chart of the four leading composite Averages. I have stated in previous Letters that valid price movements, significant and important price movements, always result in across-the-board confirmed action by the four major Composite Averages. For example, note on the chart that the early-1976 advance was stamped as both valid and important when all four of the Composites hurdled their previous 1975 peaks.

Currently, I have been interested in the fact that the D-J 65 and the Value Line Composites penetrated the June lows during the September-October decline. But the NYSE and the S & P Composites (see chart) have ***refused to confirm*** on the downside. The arrows on the chart point to the non-confirmations. This strength in two of the four Composites checks with other important downside resistance phenomena. For instance, it checks with the failure of new lows to expand on the downside. Only last week (week ending October 22), there were 96 new highs for the year and only 100 new lows, only 4 more lows than highs—remarkable!

The relationship of the Dow and the A-D ratio is now EXTREMELY bullish and will remain so AS LONG AS THE DOW HOLDS ABOVE 932.35. Furthermore, the rally that began on October 26 has come off the ***first thoroughly oversold bottom*** in 14 months. I now feel that the odds are better than 50/50 that we have seen the reaction bottom. This market has been absorbing bad news for weeks. The public, the press and almost everyone else has turned bearish and skeptical. They are writing the primary bull market off. I have not. I believe this bull market has now absorbed all the bad news from Carter to Britain, from an Arab oil-price boost to the slowdown in business. If so, a major (but initially labored and ragged) advance could be in the offing.

New positions (for those who want to add to their positions or for those who have very few stocks) should be assumed in GM (a star on the decline), and in Atlantic Richfield, Amerada Hess and Liggett & Myers (all in relative strength uptrends which have just started).

NEXT MAILING: November 5th